

THE BANKS OF GERMANY.

for sixty-three days in 1866, and eight per cent, for five days in 1866, and thirty-two days in 1870.* Apart from these instances, there was no higher rate than seven per cent. after 1866, until the crisis of 1907. The German rate during the fifty-six years ending with 1900 was higher on the average by about two-thirds of one per cent, than the rate of the Bank of England; but this is partly accounted for by the fact that the rate at Berlin was never below three per cent., while for about one-third of the time the rate at London was two or two and a half per cent.²

Discount rates were high at the Imperial Bank during the entire three years beginning with 1905. The constant demand for capital throughout the world, and the severe pressure exerted on European markets by high rates in New York in the autumn of 1905 and again in 1906, compelled all the European banks to take unusual precautions to guard their reserves. The average rates at the Imperial Bank were 4.10 per cent, in 1901; 3.12 per cent, in 1902 ; 3.84 per cent, in 1903 ; 4.22 per cent, in 1904 ; 3.82 per cent, in 1905 ; and 5.15 per cent, in 1906. The rate was changed eight times in 1905 and the year closed with a six per cent, rate, which never fell below four and a half per cent, in 1906.

On December 18, 1906, the rate was raised to seven per cent, for the first time since the Boer War and did not fall below five and a half per cent, at any time during the next year. This was the rate prevailing when the crisis in the United States led to a rate of six and a half per cent, on October 29th, and finally to a special meeting of the Central Committee which fixed the rate at seven and a half per cent, on November 8, 1907.

The discount business of the bank is largely that of rediscount for the large joint stock banks, which have come to play an important part not only in commercial banking, but in flotations of securities and corporation financing.³ By

¹ Cf. Palgrave, *Bank Rate and the Money Market*, 157.

² *Ibid* ^ 204.

³ The three largest of these institutions are the Deutsche Bank,
•with aggregate resources at the close of 1907 of 1,871,720,000 marks